



MARKET SUMMARY

As of 2017/10/31

MARKET INDICES (R)

	1 month	3 months	1 year	3 years*	5 years*	7 years*
FTSE/JSE All Share	6.26	8.12	20.11	9.00	12.97	13.23
FTSE/JSE SA Listed Property	1.99	3.99	11.13	10.92	14.06	15.32
All Bond Index	-2.30	-0.20	5.04	5.61	5.98	7.24
STeFI (Cash)	0.61	1.82	7.60	7.07	6.43	6.22
MSCI World	6.63	11.32	26.34	15.14	20.53	19.04
MSCI EM	8.35	12.49	29.68	12.13	12.82	10.85
Oil Price	10.10	23.14	31.36	-2.99	-1.97	5.75
Gold Price	3.67	7.40	4.73	11.77	3.73	9.74

MARKET COMMENTARY

Despite negative news flow, October proved to be a fruitful month for the local equity market. The same could not be said for the local fixed income market, as sharply rising bond yields led to negative returns from the asset class for the month. Bond yields came under pressure towards the end of October, as Finance Minister Gigaba’s Medium Term Budget Policy Statement (MTBPS) laid bare South Africa’s worsening fiscal position with no plausible plan to reign in escalating government debt. This put South Africa’s sovereign credit rating in the spotlight, with downgrades from S&P and Moody’s expected imminently, meaning that the possibility of near term interest rate cuts is largely dead and buried. Adding to these economic headwinds, was yet another questionable cabinet reshuffle from the President, and political wrangling is likely to add a further layer of uncertainty as we head into 2018. As expected, the rand came under pressure over the course of the month, and the effects were ubiquitous in asset class performance.

Looking at global markets, it is truly astonishing to see how strong the hard currency returns from equities have been over the past year. October provided more of the same, as positive economic and market-driven data continues to fuel rising asset prices. Emerging market equities once again outperformed their developed peers, making October the ninth month (out of ten) of outperformance in 2017.

The **FTSE/JSE All Share Index** gained 6.3% in October. The top performing shares amongst the largest 60 companies in October were Impala Platinum (+26.5%), Sibanye-Stillwater (+22.7%) and Naspers (+18.0%). The worst performing shares in October were Mediclinic International (-7.3%), Mondi (-6.2%) and Woolworths (-5.9%). **Industrials** (7.6%) were the top performing segment of the market in October, as strong positive contributions from Naspers and Richemont drove gains. **Resources** (7.1%) benefitted from a significantly weaker rand in October, which translated into higher rand commodity prices in the month. **Financials** (2.5%) also showed decent gains as insurers outperformed banks on the back of higher bond yields.

The **MSCI World Index** ended the month up 1.9% in US dollar terms, leaving the index up 23.5% over the past year. Chinese growth and European optimism (despite temporary unrest in Spain) continues to underpin confidence in global growth. The index’s largest contributor, the US, mirrored this performance in October with the **S&P 500** posting a 2.3% return for the month. Elsewhere, Japan’s **Nikkei 22**, Germany’s **FSE DAX** and the UK’s **FTSE 100** each posted a US dollar return of 7.1%, 1.6% and 0.8% in October respectively.

Emerging markets returned to form in October, boosted by growing confidence in the Asian growth story. The **MSCI Emerging Markets Index** gained 3.5% for the month in US dollars, leaving gains at 26.9% over the past year.

After a period of decent returns, local bonds had a difficult month. The failure of Finance Minister Gigaba to outline plans to tackle South Africa’s growing debt burden in his maiden MTBPS saw a sharp increase in local bond yields towards the back end of the month. The global search for yield did little to shield against surging negativity, with a local currency credit downgrade now all but certain. The **All Bond Index (ALBI)** posted a return of -2.3% in October, leaving gains at just 5.0% over the past year. **Listed Property** had a relatively decent month with a return of 2.0%, despite a spike in local bond yields. The local listed property sector has become increasingly offshore denominated in terms of underlying earnings exposure, and counters with significant offshore property portfolios (such as NEPI Rockcastle) were the standout performers in October. **Cash** returned a stable 0.6% for the month, and has provided a steady 7.6% over the past year.

Looking at currencies, the rand depreciated against most major currencies in October. A stronger **US dollar** saw the local currency depreciate by -4.5% against the greenback in October – most of this came in the last week of the month following Finance Minister Gigaba’s dismal MTBPS. The rand also depreciated against the **euro** (-3.1%) and **pound** (-3.5%) over the course of October.

The US dollar price of **Oil** posted decent gains in October (5.1%) as the favourable supply and demand backdrop persisted. The US dollar prices of **Gold** and **Platinum** were down -1.0% and -0.5% respectively in October.